

MINUTES OF THE
MEETING
OF THE
AUDIT & COMPLIANCE COMMITTEE
MONDAY, FEBRUARY 27, 2012 – 10:30 AM.

Present:	<u>Committee Members</u>	Michele Bush Thomas Hoffman Fred Montgomery
	<u>Board Members</u>	Roderick Bashir
Absent:	<u>Committee Members</u>	James Clayborne Judy Baar Topinka

ROLL CALL

Chairman Bush called the meeting to order at 10:35 a.m. The Secretary called the roll and noted that a quorum was present.

DISCLOSURES TO ETHICS OFFICER

Chairman Bush began the meeting by stating that a referral to the Audit and Compliance Committee was made at the December 16, 2011 ISBI Board Meeting, involving a contractual relationship between Fred Montgomery and the Illinois Treasurer's Office for defined professional services for a term from December 5, 2011 to March 4, 2012. She continued by explaining that the primary purpose of this Audit and Compliance Meeting was to have a preliminary discussion of a legal analysis conducted by outside counsel, who researched Illinois statutory and common law and best practices at other public pension funds.

Chairman Bush then summarized outside counsel's findings, which were reviewed for compliance with, in particular, the Illinois Governmental Ethics Act, the State Officials and Employees Ethics Act, ISBI's Code of Ethics for Members of the Board and Ethics Training for Appointees and Employees of State of Illinois Boards. Mr. Montgomery disagreed with many of the facts and conclusions as reported by Chairman Bush based on outside counsel's analysis.

Mr. Montgomery asked to review outside counsel's analysis so that he could provide comments. Chairman Bush agreed to allow Mr. Montgomery the opportunity to address his concerns or otherwise respond to the issues as presented.

UNFINISHED BUSINESS

None.

NEW BUSINESS

Chairman Bush noted that the appointment of Devon Bruce as a Special Assistant Attorney General in litigation by the Office of the Attorney General was considered using the same legal analysis. This relationship was determined not to raise compliance concerns.

NEXT MEETING AND ADJOURNMENT

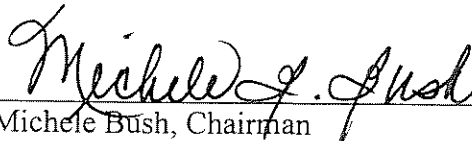
Chairman Bush stated that the next meeting of the Audit & Compliance Committee was scheduled to be held Friday, March 2, 2012, but may be deferred to a later date as an accommodation to Mr. Montgomery.

At 11.55 a.m., there being no further business to come before the Committee, upon motion duly made and seconded, the meeting was adjourned.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'T. E. Hoffman', written over a horizontal line.

Thomas E. Hoffman, Recording Secretary
Illinois State Board of Investment

A handwritten signature in black ink, appearing to read 'Michele Bush', written over a horizontal line.

Michele Bush, Chairman
Audit & Compliance Committee